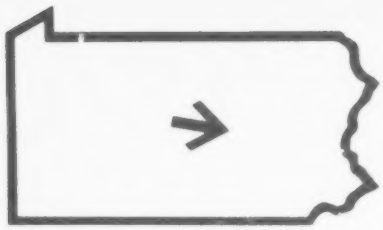


State's Economy Plunges Further

July was another bad month for Pennsylvania's economy. The number of manufacturing jobs continued to plummet after remaining essentially unchanged in June from May's level. At the same time, the number of nonmanufacturing jobs continued its gradual decline, which began last February.

The job level in manufacturing industries stood at 1.149 million jobs in July, down from 1.187 million jobs in June and only slightly above the figure of 1.123 million jobs for February 1946 during that year's crippling steel strike. This was the only other time in the last four decades that it has been so low.

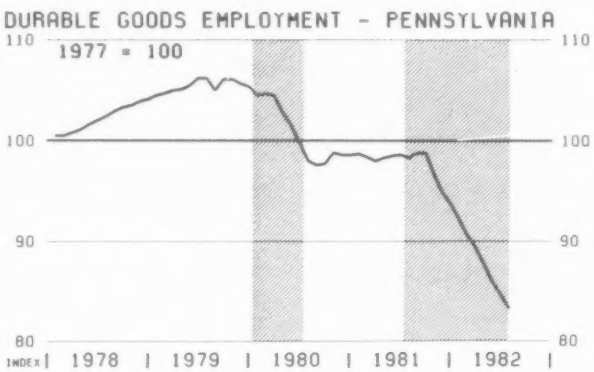
Job losses were experienced in both the durable and nondurable goods-producing sectors. However, July was the first month since last September that the losses were relatively greater in factories producing nondurable goods. Furthermore, July's decrease followed two months of small job gains in this sector.

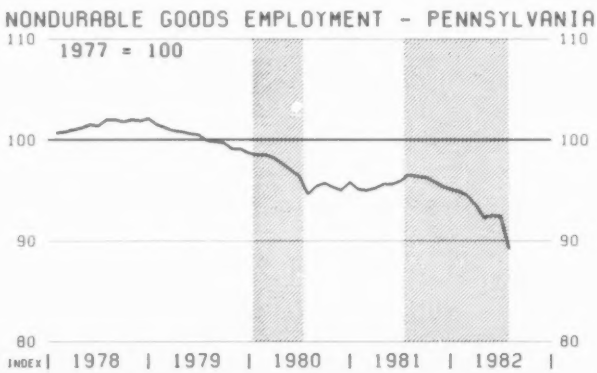
Between September and April, there was an average monthly drop of 13,000 jobs in durable goods industries while nondurable goods industries experienced declines averaging 3,800 jobs a month. In May and June, the durable goods sector lost another 19,600 jobs while the nondurable goods sector offset previous cuts somewhat with an addition of 5,300 jobs. Although July was still rough for durable goods industries — 14,300 more jobs were cut — approximately 23,300 jobs were lost in the nondurable goods sector, more than doubling the total (net) number of jobs lost in the sector since the beginning of the recession.

These job losses brought the seasonally adjusted index for manufacturing jobs down to another new low. It was 85.7 (1977 = 100) in July, down from 87.6 in June and 97.7 a year ago. The index for a related measure — total person-hours worked by production workers in Pennsylvania's factories — also fell to a new low. It was 77.7 in July, down from 80.5 in June and 94.7 a year ago. Each month since October 1981, these two indexes have fallen, breaking the previous months' record low levels. Furthermore, the seasonally adjusted index for total weekly payrolls in manufacturing industries declined in July to its lowest level since October 1978.

Finally, after seasonal adjustment, average weekly hours worked by production workers in all manufacturing industries was unchanged in July from June's level. This measure had increased from May to June giving credence to a coming turnaround in the economy. But, July's figures cloud any forecast of the arrival of that turnaround.

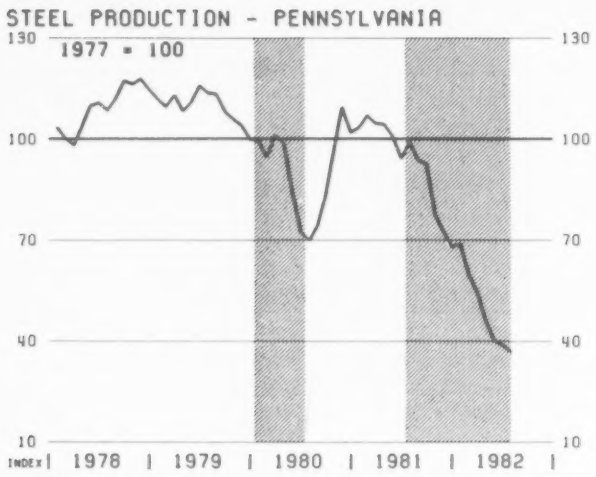
No upturn is evident in the steel industry. Steel production in Pennsylvania was down to 764,746 tons, which is only 37 percent of production a year ago. Furthermore, while only 43.8 percent of the nation's steel-producing capability was utilized in July, Pennsylvania utilized even less of its capability. Pennsylvania's share of total national steel production was 13.4 percent in July, down from 13.9 percent in June and 20.2 percent a year ago.





PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **September 1982**



A more than seasonal drop in the number of nonmanufacturing jobs in Pennsylvania was also experienced in July. The job level in these industries was at its lowest level since April 1978. Declines were experienced in the mining and transportation industries, in wholesale and retail trade, and in state and local government. Employment in public utilities, finance and real estate, and service industries was unchanged after seasonal adjustment while slight increases were seen in the number of jobs in the construction industry and the federal government.

Both total employment and unemployment increased in July as the civilian labor force grew by approximately 128,000 persons from a month earlier. The seasonally adjusted index for unemployment superseded July's level of 145.9 only once, which was last April when it stood at 146.1. In addition, July's seasonally adjusted unemployment rate was back up to April's level of 10.7 percent after having fallen slightly in May and June. Finally, initial claims for unemployment compensation remained high, but the surge in claims usually seen in July did not occur.

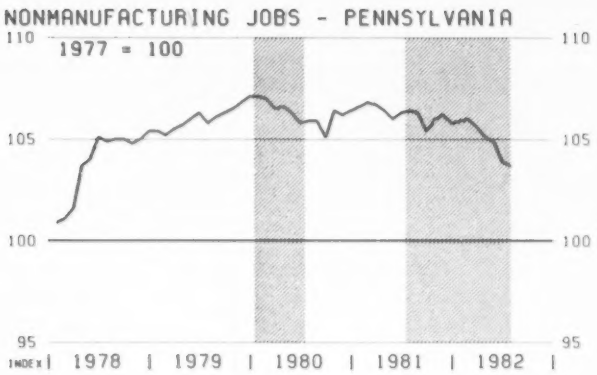
Other indicators of the economy's health were weak in July but did not show any further slippage. Industrial electric power sales were down in July but not as much as is normal for that time of year. Therefore, the seasonally adjusted index for this measure increased.

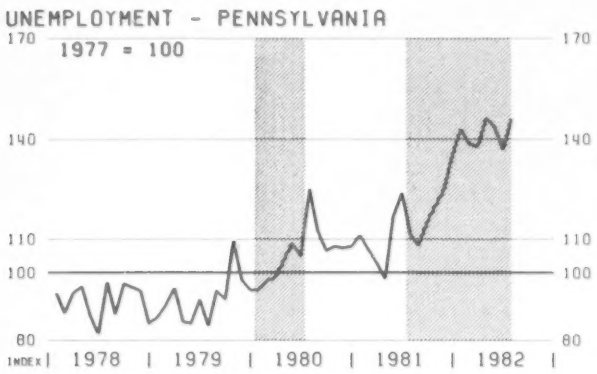
Construction contracts awarded in July were also down from a month earlier in all areas, but the declines were less than seasonally expected in residential building and nonbuilding construction.

ECONOMIC ACTIVITY IN PENNSYLVANIA	1982 June	1982 July	1981 July	Seasonally Adjusted Indexes (1977 = 100.) 1982 June	1982 July	1981 July
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,589	4,504	4,756	98.9*	98.2	103.7
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,401*	3,342	3,439	103.9	103.7	106.4
Manufacturing						
No. of wage and salaried jobs (thous.)	1,187*	1,149	1,311	87.6*	85.7	97.7
Ave. wkly. hrs. worked by prod. workers	38.5	38.3	39.0	97.5	97.5	99.3
Total wkly. person-hours worked (mils.)	31.2*	29.7	36.2	80.5*	77.7	94.7
Total wkly. payroll (mil. dols.)	266.8*	256.3	299.7	118.4*	116.4	136.0
Steel production (thous. tons)	842	765	2,057	39	37	99
Industrial electric power sales (mil. kwh)	3,346	3,202	3,908	90	92	111
Mining						
Anthracite coal (thous. net tons)	543	427	566	107	90	115
Bituminous coal (thous. net tons)	6,209	4,340	6,991	84	76	119
Construction contracts awarded (mil. dols.)						
Total	491.5	395.8	492.9*	132	115	140*
Residential building	173.2	157.4	173.8*	88	90	96*
Other building	196.7	131.9	235.2*	139	99	180*
Nonbuilding (utilities and public works)	121.5	106.6	83.9*	105	157	130*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,894	4,989	5,142	101.5	101.9	105.1
Unemployed						
No. of persons (thous.)	563	596	455	136.9	145.9	111.4
Rate (percentage of labor force)	10.3	10.7	8.1	—	—	—
Rate, seasonally adjusted	10.1	10.7	8.1	—	—	—
Civilian labor force, no. of persons (thous.)	5,457	5,585	5,597	104.2	105.3	105.6
General Business Activity						
Bank debits, percentage change in dol. vol.						
From previous month	+17.0	+ 5.6				
From same month, previous year	+25.0	+17.4				

Notes:
* = Figure revised n.a. = Data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST

Data on employment have been revised to first quarter 1981 benchmarks.





The Nation

There are still rumblings that a national recovery from the recession has begun, but improvements in the economy are hard to see. Industrial production continued to decline and unemployment rose to a post-World War II high in July.

The drop in factory output was the eleventh decline in twelve months. Nevertheless, at 0.1 percent, it was the smallest since the recession began and was considerably less than the 0.7 percent declines in May and June.

Employment data for July showed little labor-market strength. While employment was about unchanged in July from June, unemployment increased bringing the jobless rate to a seasonally adjusted 9.8 percent. This is the highest level since the 9.9 percent for all of 1941.

Despite this generally dismal picture, certain factors are getting in place for a mild recovery. For example, factory orders for durable goods increased 3.2 percent in July. These usually show a significant increase prior to a recovery. July's rise, the first since March, may signal improved industrial production and, thus, higher employment in the coming months.

However, much of the strength in the recovery will rest on consumers' and businessmen's confidence that lower inflation and, thus, higher real incomes and profits are here to stay. Consumer prices rose a seasonally adjusted 0.6 percent in July after surges of 1.0 percent in May and June. Most economists expect the monthly inflation rates to continue in the 0.6 percent range the rest of the year.

– Norma Gavin Pappas

U.S. Indexes
(1967 = 100)

	Consumers' prices, all items Urban index (unadjusted)	Industrial Production Total (seasonally adjusted)
July 1981	274.4	153.9
Aug.	276.5	153.6
Sept.	279.3	151.6
Oct.	279.9	149.1
Nov.	280.7	146.3
Dec.	281.8	143.4
Jan. 1982	282.5	140.7
Feb.	283.4	142.9
Mar.	283.1	141.7
Apr.	284.3	140.2
May	287.1	139.2
June	290.6	138.2
July	292.2	138.1

Sources: Consumers' prices, U.S. Dept. of Labor; industrial production, Federal Reserve Board.

Steel and Service Industries Affect the Comparative Health of Pennsylvania's Metropolitan Economies

The five metropolitan areas in Pennsylvania that have been hurt the most in the current recession, with respect to the percentage of total jobs lost, are the same five areas that were the least affected during the 1973-75 recession. All of these areas — Allentown-Bethlehem-Easton, Erie, Johnstown, Pittsburgh, and Sharon — lost a greater percentage of total nonagricultural jobs between July 1981 and June 1982 than they had between November 1973 and March 1975. They also lost more jobs in the recession that lasted from January 1980 to July 1980 than during the earlier recession, which is considered to have been fairly severe.

In contrast, the other nine metropolitan areas in the state lost fewer jobs in the 1980 recession and have lost fewer so far in the current recession than they did in the 1973-75 recession. Furthermore, even if we consider the period of January 1980 through June 1982 one recession, as some economists contend is true, only three additional areas — Altoona, State College, and Williamsport — lost a greater percentage of total nonagricultural jobs when compared to their job losses in the 1973-75 recession.[1]

[1]The level of jobs in nonagricultural industries is a lagging indicator; that is, it usually turns down several months after the start of a recession and up several months following the end of a recession. If we look at job losses between the peaks and the troughs of each area's job level rather than the beginning and end months of the recession, the analysis changes little. The most striking difference is that State College and Sharon are among the areas that fair the least well in the 73-75 recession and State College also is among those that fair the least well in the 81-82 recession.

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One hypothesis for the stronger relative positions of these economies today is the growth in the service sector. Jobs in service industries, such as health care and education, are far less sensitive to swings in the business cycle than are jobs in manufacturing industries. Indeed, nearly 60 percent of the growth in employment in Pennsylvania's metropolitan areas between 1972 and 1981 has been in the service sector (chart). At the same time, there has been a decline in the total number of manufacturing jobs in all these areas, except Harrisburg, Lancaster, and State College.

However, the metropolitan areas in Pennsylvania that have faired the worst in this recession are not those areas with the smallest service sectors nor those with the smallest growth in this sector. Rather, the reason for their poorer relative performance in this recession and their stronger relative performance in the earlier period is related to the fortunes of the steel industry. All of these five areas are major steel-producing centers. Both 1973 and 1974 were very good years for the steel industry — the market for steel was strong worldwide. Pennsylvania's mills poured more steel in those two years than they ever have. On the other hand, the market for steel is currently weak. In addition, the U.S. steel industry as a whole is losing ground in competition with foreign producers, and, because Pennsylvania's mills are older and less efficient than mills in other parts of the country, the state is losing an even greater share of the market.

Percentage Change in Total Nonagricultural Jobs

	Nov. 1973 -March 1975	Jan. 1980 -July 1980	July 1981 -June 1982	Jan. 1980 -June 1982
Pennsylvania	−2.5	−2.3	−4.5	−6.9
Allentown-Bethlehem-Easton	−1.0	−1.9	−4.7	−4.9
Altoona	−4.3	−3.6	−3.8	−6.6
Erie	−0.6	−2.3	−4.7	−8.9
Harrisburg	−2.9	+0.3	−0.7	+0.9
Johnstown	+1.9	−7.0	−6.0	−13.5
Lancaster	−3.8	−2.3	−2.5	−3.5
Northeast Pennsylvania	−5.5	−2.4	−3.5	−4.8
Philadelphia	−3.2	−0.7	−2.7	−2.7
Pittsburgh	+1.0	−1.1	−7.5	−8.8
Reading	−4.0	−1.9	−2.0	−2.5
Sharon	−2.2	−3.4	−6.8	−9.1
State College	−2.3	−0.5	−1.8	−2.9
Williamsport	−4.3	−0.6	−3.2	−5.0
York	−6.3	−2.8	−4.3	−5.5

This is not to say that the larger service industries in these areas have not helped their economies by keeping a greater percentage of their labor force employed and thus a higher volume of money circulating than would have otherwise occurred.

– Norma Gavin Pappas